

Institute of Development Management

THINGS FALL APART: AN ANALYSIS
OF THE PROBLEMS OF THIRTEEN
SMALL BATSWANA FIRMS

by: John Hunter

Occasional Paper No. 3

May, 1978

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Lesotho and
Swaziland**]

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FOREWORD

This study is the third in a series of Institute of Development Management occasional papers. It was carried out by John Hunter of the IDM staff in response to a request, from the Botswana Enterprises Development Unit and the entrepreneurs concerned, for an independent examination of the problems confronting them. The study was undertaken in the hope it would provide some insight into the difficulties facing many small enterprises in developing African countries and the institutions set up to assist them.

The I.D.M. would like to thank all thirteen entrepreneurs and eight staff members of BEDU who contributed freely of their time and provided the information on which the study is based.

Anyone wishing to use some or all of the material contained in this study is welcome to do so provided the source is acknowledged.

GEORGE V. HAYTHORNE
DIRECTOR

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I. INTRODUCTION

In 1974 the Government of Botswana established, as a section of the Ministry of Commerce and Industry, the Batswana Small Enterprises Development Unit (BEDU). It was to be BEDU's task to identify potential Batswana entrepreneurs and assist them, in any way necessary, in developing into viable business enterprises. By early 1974 a number of potential entrepreneurs had been recruited and the project was off the ground.

Industrial estates were established in Gaborone to house the first group of enterprises. These included Metalworking, Building and Construction and Garment making. High hopes, in particular, were held for the last. In 1973 garment production in Botswana was virtually nil. During this year, the Customs Union to which Botswana belonged (RSA, SWA, Lesotho, Swaziland and Botswana) imported R71.000,000 of clothing. The BEDU project proposal envisioned a "..... very modest target of 1% of these imports (entailing) the establishment of 20 to 30 small units with between 200 and 250 persons employed".⁽¹⁾

After four years of operation the initial expectations for the garment estate are far from being realized and the prospects for the future anything but pleasing. As of March 3, 1978 the estate contained 13 small garment firms employing 94 people. In the previous 12 months their combined sales totalled about P130,000.⁽²⁾ only 18% of the original modest target. On this volume of sales the garment manufacturers had losses totalling approximately P14,000, only 4 managing to do better than break-even. In all cases, except 3, their total liabilities exceeded total assets and the amount owed to banks and other creditors approached P155,000. Looking ahead and seeing a bad situation becoming worse the management of BEDU is seriously considering liquidation of all the garment enterprises and possibly, reorganizing the pieces into a single, hopefully viable firm.

(1) "Project Proposal for the Batswana Enterprises Development Programme"; Ministry of Commerce, Industry and Water Affairs 21/2/73.

(2) The estate also housed 2 firms manufacturing jewellery not included in these figures.

The prospect of liquidation is, quite naturally, upsetting to the affected entrepreneurs. It is particularly upsetting because, without exception, they feel that the BEDU management and staff are the main authors of their problems. The management of BEDU is equally convinced that considerably more than adequate assistance has been provided and that the majority of the entrepreneurs have proved themselves incompetent to operate a business.

The intent of this study is to:

1. provide some insight into what has taken place over the 4 year life of the garment estate;
2. to examine these events from the view-point of the entrepreneurs;
3. to examine these events from the view-point of the BEDU management and staff ;
4. to examine these events from the view-point of a disinterested (In the legal sense) observer; and
5. to pin point lessons to be learned from this experiment in small enterprises development.

The study is based on information gathered in interviews with 12 garment estate entrepreneurs and 8 members of BEDU's management and staff, supplemented by such factual documentation as is available. The reader should be forewarned that many, if not most, of the figures cited are best approximations, as few hard facts are available.

II. THE EVOLUTION OF THE GARMENT ESTATE

Recruitment for the garment estate began in late 1973 and by the end of 1974 a total of 8 enterprises had been established in the estate. 2 were added in 1975, 1 in 1976 and the last 2 in 1977. See Fig. 1.

Fig. 1

1974	1975	1976	1977
6	8	10	13

Total number of enterprises

Of the 13 enterprises 4 were set up primarily to make dresses, 3 to make knitwear, 1 to make safari suits, 1 to make ladies underwear, 1 to

make childrens clothes, 1 to make and install curtains and drapes, 1 to buy and print T-shirts, 1 to make and print T-shirts.

The average age of the entrepreneurs was 41 in 1974; all but 3 were women.

Five of the entrepreneurs had had considerable experience in garment factories in Rhodesia and the RSA; 6 were self-taught and had worked, on a small scale, out of their homes; 2 were without business experience before coming to the estate.

The mix of enterprises recruited for the estate appears (with the exception of T-shirt production) well balanced, and the entrepreneurs, for the most part, experienced and mature. The experience they brought with them however was 'how to make a product' and in a few cases 'how to sell the product'. There was, almost a complete absence of experience in management, in handling money and in keeping records.

BEDU Management and Support Staff

When the garment estate commenced operations in June 1974 the management and support staff consisted of an American Peace Corps volunteer as estate manager and an expatriate husband and wife team as technical advisers. The husband's expertise was in textile production and printing, the wife's in dress design and garment manufacture.

After the estate had been operating for 3 months the estate manager left. The estate was without any management for 16 months. In December 1975 an American Peace Corps volunteer, newly arrived in Botswana, was appointed as a Management Adviser. In Mid 1976 a Botswana commercial officer was appointed as estate manager and remained in this position until April 1977. During his tenure however, he was sent overseas, on a 6 month course. In April he was replaced by another government commercial officer who still occupies this position. In 1977 both the female technical adviser and the management adviser left. In late 1977 an American Peace Corps volunteer joined the estate to look after the bulk storage facility.

In addition to the staff at the estate 2 members of the BEDU head office staff have been available to assist the entrepreneurs in financial matters. A marketing adviser has been on staff since 1976. The efforts of these people however are spread over 7 BEDU estates. In the case of the financial officers a good proportion of their time must also be devoted to head office matters.

Whereas the deficiencies of the entrepreneurs lay in management skills, finance and record keeping the original staffing of the estate was mainly technical. During the crucial first two years little or no management or marketing assistance was available to the entrepreneurs. Many of the problems which were to plague the estate may stem from this initial error.

Labour

The employment target for the estate was 250 workers. After 4 years the estate is still far short of this goal. See Fig. 2.

Fig. 2

1974	1975	1976	1977
9	29	63	94

Total number of garment employees

All of the employees at the estate were recruited and selected by the entrepreneurs. 89 of them came to their enterprise untrained and were trained by the entrepreneurs. All are now considered skilled workers.

All entrepreneurs interviewed believe that the productivity of individual workers has improved over time and that the improvement can be attributed to a combination of increased skill on the part of the workers and innovations in the production process instituted by the entrepreneur. This contention, that worker productivity on the estate has improved, is not borne out by the available data. The evidence suggests that not only has productivity not improved - it declined significantly in the second year and has remained more or less constant in the third and fourth. See Fig. 3.

Fig. 3

1974	1975	1976	1977
R 1778	R 1165	R 1141	R 1152

Annual output per worker (1974 Pulas) (3)

(3)

To obtain output per worker, gross output for the estate was calculated (total sales + total increase in finished goods inventory). The annual output figure was then adjusted by the RSA price index as given in the Quarterly Economic Review, i.e. '74=100, '75=112.2, '76=143.6, '77=143.6. The resulting figure for annual estate output was then divided by the number of employees working on the estate (Fig. 2) during the year. The 1977 figure has been adjusted upward to reflect the 5% revaluation of the Pula in August '77. The output per worker figure is not significant by itself as it does not indicate value added by the worker. But any change from year to year should reflect an actual change in productivity.

In each succeeding year the average number of workers per enterprise increased. See Fig. 4.

Fig. 4

1974	1975	1976	1977
1.5	3.6	6.3	7.2

Average number of employees per enterprise

This suggests that the entrepreneurs on the garment estate have been unable to take advantage of the opportunities for increased productivity offered by increases in scale. It is a discouraging conclusion and is perhaps a far more significant indication of lack of success than is the disappointing growth and profit performance. It would appear that the estate management and the entrepreneurs have not devoted sufficient effort to the improvement of work methods and to raising standards of supervision.

Capital:

Even when discounted for inflation the amount employed in 1977 was 19 times that employed in 1974. See Fig. 6. The amount employed per enterprise grew rapidly as well, particularly in 1975 and 1976. See Fig. 7. The amount of capital per worker, a better indicator of capital employment, declined in 1975 but rose significantly in 1977 to more than double the 1974 level. See Fig. 8.

Fig. 5

1974	1975	1976	1977
P 5 050	P 13 850	P 53 810	P 137 995

Total amount of capital employed ⁽⁴⁾

Fig. 6

1974	1975	1976	1977
P 5 050	P 12 225	P 42 605	P 96 097

Total amount of capital employed (1974 Pulas)

(4) These amounts considerably understate the capital used by the enterprises as the value of the infrastructure (land, buildings, common facilities and the inventory of materials stored on site) is not included. This is also true of Figs. 6, 7 and 8.

Fig. 7

1974	1975	1976	1977
P 842	P 1 532	P 4 260	P 7 392

Amount of capital employed per enterprise (1974 Pulas)

Fig. 8

1974	1975	1976	1977
P 561	P 423	P 676	P 1 022

Amount of capital employed per worker (1974 Pulas)

As more capital is employed relative to scale, it is normally expected that output per worker will rise. As noted in Fig. 3 this has not occurred. As more and more capital has been injected into the garment enterprises it has been used less and less efficiently. This process is clearly illustrated when the amount of output per unit of capital is calculated over time. By 1977 this amount had fallen to about 1/3 that of 1974. See Fig. 9.

Fig. 9

1974	1975	1976	1977
3.26	2.76	1.68	1.10

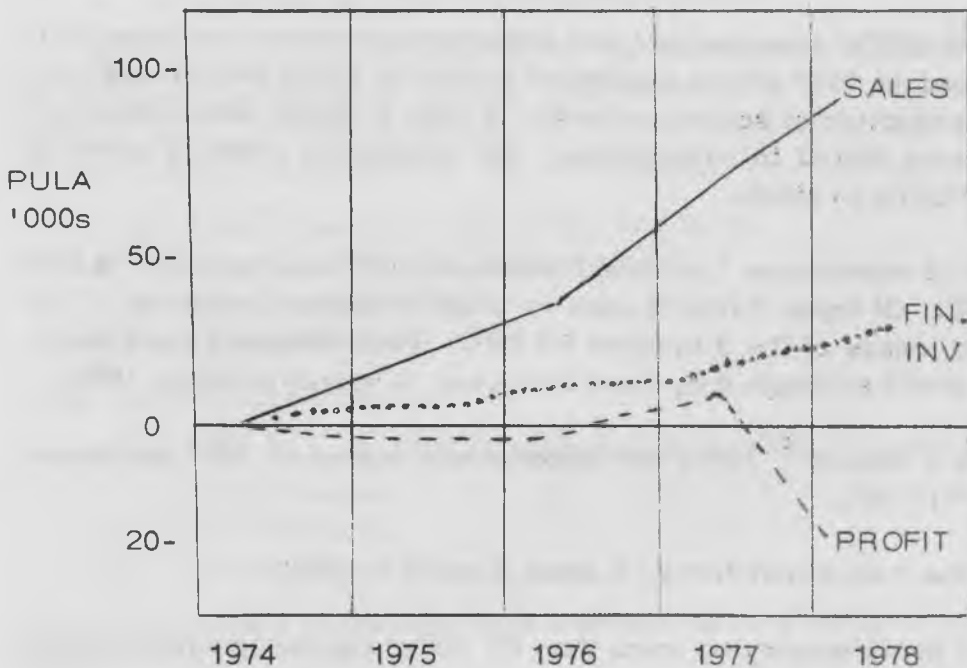
Output per unit of capital (1974 Pulas)

The entrepreneurs, with one exception, contend that their businesses would have been more successful had they had more capital (particularly in their first year of operation). Out of the 8 BEDU officers interviewed, 6 agree with them. The evidence does not support this majority opinion. It indicates that additions of capital were in general ineffective and that the entrepreneurs have not learned to use capital judiciously. In fact, the shortage of capital in the first two years may have imposed a certain discipline which resulted in inventories and accounts receivable being kept low and machinery and labour being better utilized. The relative abundance of capital in 1976 and 1977 may have encouraged less control, less supervision and less judgement. The experience of the garment estate, in this instance, illustrates, what should be a maxim for developing countries; in the absence of some other vital inputs, injections of capital will not likely result in increases in productivity.

Sales:

On the surface, the ability of the garment estate to dispose of its output looks quite encouraging. Even when adjusted to 1974 prices, sales doubled in 1975, doubled again in 1976 and climbed another 38% in 1977. See Fig. 10. Between the end of 1976 and the beginning of 1978 however, the inventory of finished goods rose by a factor of 3 and was valued at P44 000, 34% of the 1977 sales figure. This represents an inventory turn-over of 3 and although high, is still within acceptable limits for an operation that is, in the main, selling direct to retailers and consumers and consequently performing its own wholesale function.

Fig. 10



sales, profits, finished goods inventory - 1974 prices

Whether the estate is overstocked in finished goods or not depends on the make-up of the inventory. If the items are ones that will be required by the trade for fast delivery during the next 2 or 3 months then the inventory situation is healthy. If the inventory is made up of items which will not be required for 8 to 10 months then the situation is poor and an unnecessary drain on the resources of the estate. The bulk of the inventory, at present, evidently falls into the latter category.

All but one of the entrepreneurs believe that lack of assistance in marketing is a major reason for their lack of success. 5 of the 8 BEDU

officers agree. In the case of two of the tasks of marketing - distribution and promotion - the marketing function at the estate seems to have been performed adequately. Where the other two tasks are concerned - product i.e. what products to make, what design, how many to make, and price, the majority opinion appears to be correct.

Profit:

The 4 years of garment operations at the estate have resulted in losses totalling approximately P12 000. If the estimates provided by the entrepreneurs are correct this loss was distributed over time as shown in Fig. 10. As might be expected the estate produced a loss in its first year of operation but in the second year the loss was halved and in the third the enterprises as a group broke into the black. In 1977 the estate plunged back into a deficit position, registering a total loss of P14 000.⁽⁵⁾

Both BEDU management and entrepreneurs blame the large loss experienced in 1977 on the expensive switch by some enterprises into volume production of school uniforms; a drop in sales when orders for the uniforms failed to materialize; the subsequent costs of carrying these uniforms in stock.

Of 13 enterprises 7 recorded losses in 1977 varying from P5 000 to P1 000. Of these 7 only 3 were involved in school uniforms. The combined losses of the 3 totalled P9 000. Two of these 3 have never shown a profit although they have both been in operation since 1974.

The 6 largest⁽⁶⁾ firms all experienced losses in 1977 and these totalled P17 100.

Of the 7 smallest firms, 6 show a profit in 1977.

All firms employing more than P7 000 of capital incurred losses in 1977.

All firms employing less than P7 000 of capital achieved profits in 1977.

(5) This figure is some P2 000 less than the losses shown on the BEDU accounts, reflecting the inclusion of a vehicle owned by one of the entrepreneurs as an asset of his enterprise.

(6) In terms of number of employees. The work force of the 6 largest firms ranged from 7 to 22.

Both the BEDU staff and the garment entrepreneurs are inclined to attribute most of the enterprises difficulties to errors in marketing strategy; the school uniform business' being the most quoted example. Such errors however would appear to be of minor importance. Clearly, the major problem is the inability of entrepreneurs to cope with the complexities of managing the larger enterprise. When the firm expands to a size where it employs more than 7 workers and more than P7 000 capital things fall apart!

Recognising that this 'management barrier' exists is a necessary first step in solving the problems of the garment estate - for its existence has important policy implications in respect to staffing, expansion, training and the provision of capital.

III. WHY IT EVOLVED THE WAY IT DID

A. AS SEEN BY THE ENTREPRENEURS.

The entrepreneurs at the BEDU garment estate readily admit that the poor performance of their enterprises is to some extent, the result of their own shortcomings, as well as factors beyond the control of the BEDU organization. As for personal shortcomings -

- 5 say lack of business knowledge and skill,
- 2 " poor handling of customer credit,
- 1 " personal problems,
- 2 " lack of personal effort.

As for uncontrollable factors -

- 9 say the lack of skilled, experienced and disciplined workers in Botswana,
- 4 " competition,
- 2 " pilferage.

On the other hand most work hard and receive very little in compensation.

- on the average they put 54 hours of work a week at the enterprise. The lowest hours worked were 45, the highest 75,
- they pay themselves an average monthly salary of only P95,00 and some months when business was poor have not paid themselves anything. Salaries ranged from P20 per month to P200,
- only 2 have ever withdrawn money, other than salary, from the business and in both cases the amount was small.

In so far as the BEDU organization is concerned, most of the entrepreneurs feel it has let them down. Were BEDU doing what it could and should be doing, their enterprises would be thriving and prosperous. Here is what they have to say:

BEDU Staff:

The staff at the estate they feel, without exception, is hard working and sympathetic to their problems. On the other hand they think the staff is too small to do what should be done. It has decreased as the number of entrepreneurs and problems have increased. The estate staff too, does not have the types of expertise they need most and on occasion has given them bad advice which has cost them dearly.

As for the head office staff there is a strong feeling that they have not been sympathetic to their problems, have been difficult to approach and, in the case of the financial experts until very recently, have given them a lot of criticism and virtually no assistance.

Training:

All the entrepreneurs feel that they badly need training particularly in management techniques, record keeping, financial controls, costing and pricing. (7) With one exception all feel that the training they have received has been of little or no value.

Four entrepreneurs have been sent off the estate to receive courses, 3 of these on two occasions. They evaluate their experience as follows:

<u>Entrepreneur</u>	<u>Course</u>	<u>Length</u>	<u>Evaluation</u>
1	Small Bus. Mgt. IDM	4 weeks	Too advanced (8)
	ILO Seminar		
	Export MKTG.	1 day	Irrelevant
2	Small Bus. Mgt. IDM	4 weeks	Too advanced
	Small Scale		
	Bus-Israel	8 weeks	Very useful
3	Export MKTG. ILO	4 weeks	Irrelevant
	Trade Fairs. ILO	1 week	Irrelevant
4	ILO Seminar		
	Export MKTG	1 day	Irrelevant

(7) Work experience in modern industry does not appear to provide an individual with the skills required to manage an enterprise successfully. Five entrepreneurs had such experience in textile plants in Rhodesia or South Africa. All 5 recorded losses in 1977.

(8) This has been recognised by the IDM and the course has been redesigned.

With one exception (an entrepreneur who does not speak English) all entrepreneurs have been attending 1 1/2 hour training sessions held Tuesday mornings on the estate. Most feel they have gained little or nothing from these although 4 thought they had learned a bit about costing. The main criticism expressed was that the sessions were disjointed and that subjects were dealt with too briefly for anything concrete to be learned.

All entrepreneurs, who expressed an opinion on the kind of training they would like to be given, suggested something along the line of a one on one session with an adviser, that would last a day, and would be directed at the specific deficiencies of the entrepreneur.

A number of entrepreneurs also felt that, had they received a basic course in small business management immediately before becoming a BEDU entrepreneur, many of their problems would have been avoided.

Capital:

Ten entrepreneurs believe that a lack of capital has been an important factor in preventing their enterprise from being more successful. Two of the 10 thought that it was a major factor. Most were not clear as to why more capital would have helped them. Two said that output could have been increased. One said that it would have allowed more efficient use of her workers.

Apart from an insufficiency most complained that capital was doled out on an emergency basis, only in quantities sufficient to relieve the immediate problem and not large enough to permit smooth operation of the business. Had more been given in the early stages this too would have prevented many problems.

Assistance in Basic Management

Entrepreneurs, with 3 minor qualifications, stated that they had received no help in basic management but were not too concerned. Most felt competent to do their own organizing and supervising. Two mentioned that they could use and would appreciate help in planning.

Assistance in Personnel Recruiting and Training:

No entrepreneur had received assistance from BEDU in personnel recruiting and training. In so far as recruiting was concerned no one felt they needed help. In the case of training there was 100% agreement that some assistance should be given. Training staff occupies a substantial portion of the entrepreneurs time (10 to 20%) and was a particular burden

in the formative stages of the enterprise. Estimates of the time it took for a new employee to become sufficiently skilled to be worth her wage varied from 3 weeks to one year with the average being 3 months. Several pointed out that trainees are hard on equipment, breaking needles and damaging machines. They also waste considerable materials.

All but one entrepreneur considered employee training to be a major burden on the enterprise in both time and money. All identified a lack of skilled, experienced and disciplined workers as a factor in the poor performance of the enterprise.

Two entrepreneurs observed that competing firms in the RSA face much lower training costs as the government trains garment workers and there is at present, a large pool of skilled unemployed to draw on.

Assistance in Accounting Records, Reports and Controls:

No entrepreneur interviewed claimed to be competent in developing and maintaining records, reports and controls. Only four felt that these essential tasks are being done properly at their enterprise. Prior to 1978 no assistance had been given by BEDU. Four reported that some assistance was now being given by a BEDU financial officer, 4 are using the services of a local accountant, 1 is receiving help from Partnership for Productivity, 1 from her husband and 1 is taking a correspondence course in accounting.

On the other hand only 1 entrepreneur cited lack of assistance in setting up and keeping accounting records as being a factor in preventing the firm from being more successful.

Assistance in Production and Productivity:

Entrepreneurs seem more confident in this area than in any other. Eight reported that they had instituted improvements in their production process in the past 4 years which had resulted in higher productivity, and, in some cases, quality. 6 said that BEDU has assisted them in the technological aspects of their process; 2 in improving efficiency; and 2 in improving quality. None had any complaints about the amount of, or quality of, the assistance given to them by BEDU in this area. Two entrepreneurs had received formal training in this area while attending outside courses in Small Business Management. At the estate 1 entrepreneur was taught all he knows about the technology of his process by a technical adviser. Three said there had been 'some talk of efficiency' at Tuesday morning sessions.

No entrepreneur believes that lack of competence or assistance in matters pertaining to production, has been a factor in preventing the enterprise from being more successful.

Assistance in Marketing:

More than any other, this is the area in which entrepreneurs feel they have been let down by BEDU. Only 1 said she had received worthwhile help in new product development (coin bags). Three said that they had been pressed into producing products which had lost money (childrens clothing, school uniforms and a low cost competitive line of dresses); 3 said they had asked for product development help but had not received any. None reported any assistance or advice in establishing a distribution system for their products. Three reported help in promoting their products and 3 others reported that BEDU had attempted to sell their products but had not, as yet, been successful. All entrepreneurs use the same system of Pricing (cost + 25% to determine the wholesale price; cost + 40% to arrive at a retail price). Seven said they had received help in costing their products so that they could establish prices by this method.

Two entrepreneurs had been sent to a course on Export Marketing held in Nairobi but did not find it relevant⁽⁹⁾.

Two others had attended a course in Small Business Management at the IDM and one of these had also attended an 8 week course in Israel. Both courses dealt to some extent with marketing. One had attended a course on Trade Fair exhibiting. Entrepreneurs attending Tuesday morning training sessions at the estate had also been instructed in the Cost plus pricing system.

When asked "Has lack of assistance, other than capital provision been an important factor in preventing your firm from succeeding Specify?", 9 out of 12 entrepreneurs said "Marketing". For 3 of these it was the only factor mentioned.

Other Problems:

When asked if competition were a factor contributing to lack of success only 4 thought so, and two of these were referring to competition with other entrepreneurs on the estate.

(9) One of these entrepreneurs recalled that they were advised at the course to maintain radio contact with cargo planes carrying their products (the example used was oranges) to Europe, so that they could be diverted to a country where the market price had risen.

When asked if personal problems were a factor only 1 said yes.

Bad advice was singled out as being a factor in 8 instances. Most of the bad advice mentioned concerned marketing but advice on loan terms, machinery purchases, hiring (a production manager) and new location were cited.

When asked to identify problems, other than those mentioned in the survey the following were mentioned:

- difficulty, delay and high cost of machinery repairs (4)
- collecting delinquent accounts (2)
- bulk store out of materials for long periods (3)
- " " ordering in too small quantities (2)
- " " carrying too much of one kind of material (too little variety) (2)
- " " supplying defective material and refusing to compensate entrepreneur for losses (1)
- seasonal fluctuations in demand for products (2)

The information which has been detailed above was given, by the entrepreneurs at the BEDU garment estate, in the form of specific answers to specific questions. Perhaps because of the method, it fails to get to the heart of the problems. Let one of the entrepreneurs try to explain her feeling about BEDU.

"We are children learning to walk - and they want us to run".

III. WHY IT EVOLVED THE WAY IT DID

B. AS SEEN BY THE OFFICERS OF THE BATSWANA ENTERPRISES DEVELOPMENT UNIT.

The management and staff of BEDU readily admit that some of the responsibility for the poor performance at the garment estate is theirs. Many of their self criticisms though, sound suspiciously like oblique criticisms of the entrepreneurs.

"We are too inclined to spoon-feed them".

"Our main problem is a failure to communicate".

"Our procedures for selecting entrepreneurs are poor".

"We have failed to supervise the entrepreneurs properly".

"We have made too little effort to develop a spirit of co-operation between ourselves and the entrepreneurs".

"The efforts of the estate management and those of the BEDU head office have not been co-ordinated".

"BEDU bureaucratic procedures have become a barrier to decision making - to the detriment of the enterprises".

"We have let entrepreneurs off the estate before they were ready".

"Entrepreneurs have been advised to accept loans on terms which they cannot possibly meet".

"Inconsistent and absentee estate management has been a major factor in the poor performance of the enterprises".

Entrepreneurs:

The BEDU staff find it somewhat easier to detect defects in the entrepreneurs than they do in themselves. The head office staff tends to be more critical and less sympathetic than does the staff at the estate. The following series of quotes give a composite profile of the entrepreneur as seen by 8 members of the BEDU staff, 5 of whom were expatriates.

"... no capacity for decision making"

"... tend to become more dependent (on advisers) as time goes by"

"... lack the basic knowledge necessary to understand the mechanics of running a business"

"... do not have business sense"

"... do not have the necessary acumen"

"... are not receptive to advice"

"... are non-competitive"

"... do not have the capacity to look ahead"

"... do not have the personal discipline to run a business"

"... lack initiative".

The Role of the BEDU:

Despite observations to the effect that entrepreneurs lack initiative, tend to become too dependent, too much spoon-feeding and the like, BEDU officers see their role as a rather comprehensive one in the affairs of the entrepreneurs.

- All 8 agree that BEDU should provide capital.
- 7 that it should be a guarantor to creditors.
- 8 that it should provide infrastructure at nominal cost.
- 8 that it should provide training.
- 7 that it should provide administrative assistance.
- 7 that it should provide discipline in respect to credit, work habits etc.
- 1 that it should provide collection assistance.
- 1 that it should provide controls on decisions.
- 2 that it should provide avenues of communication.
- 1 that it should provide a social service, e.g. to an entrepreneur with marital problems.

BEDU too, was seen to be a supplier of expertise in a number of fields:

- financial (8)
- management techniques (8)
- personnel administration (5)
- labour relations (1)
- marketing (8)
- technology (8)
- productivity/efficiency (8)
- merchandising (2)

When asked, "What factors have been most important in preventing entrepreneurs from being more successful" there was considerable agreement between officers and entrepreneurs. The 8 officers echoed the entrepreneurs opinion on these:

- lack of capital: 4 thought it to be a major factor, 2 an important one

- lack of a skilled, experienced and disciplined work force: 1 thought it a major factor, 5 thought it an important one.
- lack of assistance in marketing: 5 thought it a major factor
- personal problems: only 2 thought them to be an important factor
- competition: only 2 thought it to be important

The officers tended to disagree with the entrepreneurs on the importance of some other factors:

- insufficient knowledge of business practices: 7 officers saw this as a major factor; 1 as an important one
- lack of personal effort: 1 officer thought this to be a major factor: 5 thought it important
- product quality: 3 officers thought this to be a major factor
- lack of employee supervision: 3 officers thought this to be a major factor.

With the BEDU officers, as with the entrepreneurs, a feeling of frustration underlies their answers to the survey questions. As one officer tried to express it:

"They want us to do everything for them".

III. WHY IT EVOLVED THE WAY IT DID

C. AS SEEN BY AN OUTSIDER.

The Entrepreneurs and the BEDU Staff

To an outside observer the attitude both of the entrepreneurs to the BEDU staff, and the BEDU staff to the entrepreneurs seems, under the circumstances, rather strange. On the one hand there is a group of people who badly need help; on the other hand an organization whose sole purpose is to provide that help. A congenial-swimmer to life guard-relationship is expected whereas an antagonistic - policeman to traffic violator - relationship exists. This no doubt, exaggerates the situation but to the extent that an adversary position has been adopted by both parties, the ability of the one to help the other is reduced.

The entrepreneurs must be convinced that the BEDU organization is 'on their side'; that they can benefit tremendously by cooperating fully; by acting on sound advice; by accepting the necessary constraints.

The BEDU officers must recognise that the entrepreneurs they will be dealing with are going to be deficient in initiative, business experience and acumen. Were they amply endowed with such attributes they would not need BEDU.

Training:

The common response of those who purport to be experts in small enterprises development is to identify the solution to any and all problems in their field as more training and more capital. The truth is that 'more training' and 'more capital' do not, in themselves solve anything.

In the case of training the 'more is good' approach results in an entrepreneur who makes school uniforms or prints T-shirts being sent to Kenya on a 4 week course in export marketing. Little is gained and the enterprise suffers from the extended absence of its owner. If there is to be a pay off from training answers to some key questions must be determined.

Who will profit from training?

What sort of skills do they lack?

Which of these skills are most needed?

When should they get the training?

Where should they get it?

How can it be done most effectively?

There are some strong hints in the foregoing pages as to what the answers might be.

Capital:

What is true in the case of training is true in the case of capital. More is not necessarily good. Despite the view of those who were interviewed for this report, there is some evidence that, in the case of the garment entrepreneurs, 'more capital' has actually harmed their enter-

prises. (10)

An impression has been conveyed that most entrepreneurs consider BEDU to be primarily a source of funds. Two of the BEDU officers, both Batswana, are of the same opinion, and they both thought that the publicity given to BEDU by politicians was responsible. "Go to BEDU - they will give you all the money you need" was a message communicated to constituents in 1974. Whether this be true or not there is little indication that the garment entrepreneurs feel under a strong moral obligation to repay the money borrowed or that they are even particularly concerned by the extent of their indebtedness. And it is not hard to understand this attitude. There is something slightly unreal about a situation where a woman who takes a monthly salary of P60 - owes P31,000 -. She owes a sum that is 43 times her annual income. The equivalent situation for an average American wage earner would be a debt to the tune of \$750,000. It is too large to be taken seriously. If the circumstances require injections of capital of the magnitudes which have been loaned to the 6 largest garment entrepreneurs then some legal arrangement, other than sole proprietorship, should be instituted, with BEDU assuming effective control of the firm until the debt has been reduced to a reasonable figure.

In any event present and future entrepreneurs should somehow be disabused of the notion that BEDU is a bottomless pit of Pulas.

Assistance in Basic Management:

It appears that no garment entrepreneur at present has the competence to handle a firm employing more than 10 workers or P10,000 capital at the most. If for some reason BEDU wishes to push a firm beyond this point it had better be prepared to supply intensive assistance in planning, organizing, directing and controlling. It would also seem that the smallest firm would profit by some tailored help in planning and some solid practical training in this neglected area.

(10)

An imaginative statistician could infer, from data previously presented, that; had the scale of each enterprise on the estate been limited to 7 workers and the amount of capital per worker been held to 1974 - 1976 levels, the total amount of capital actually employed in 1977 could have financed 23 enterprises instead of 13. These 23 enterprises could have employed 161 workers instead of 94. The total output of the estate could have been P185,000 instead of P108,000. The estate, as a whole, could have realized a profit instead of a loss.

Assistance in Training Enterprise Personnel:

The entrepreneurs would seem to have a genuine case for some real help, both material and financial, in training their staff. The training investment required of the entrepreneurs is proportionately large when compared to their assets. Furthermore, once made, the investment no longer belongs to the entrepreneur but to the recipient of the training. None of the entrepreneurs at the garment estate can afford to be this generous.

Assistance in Accounting Records, Reports and Controls:

There is little doubt that all the garment enterprises, save one or two, are in desperate need of adequate accounting. As it stands now they are sailing along completely in the dark. They do not know if they are making or losing money, whether productivity is improving or declining; whether goods are being pilfered or not. ⁽¹¹⁾ They have only a hazy idea of what their products have cost. Typical of their plight is the entrepreneur who sold P18,000 of custom curtains and drapes in 1977, all of which he had marked up 25% on cost, and at year end recorded a loss of P1,000.

It does not seem feasible that the entrepreneurs themselves can be trained to be accountants. If for no other reason they do not have the time. There are other skills too, which are even more important for them to acquire. The solution on the one hand would seem to be an estate accountant who would perform this service for a monthly fee. The entrepreneurs, on the other hand should be given the training that will help them interpret and use accounting information. No entrepreneur should ever be allowed to push beyond the "management barrier" without this facility.

Assistance in Marketing:

The marketing assistance provided by BEDU is much maligned. But marketing is not an exact science. It requires prediction of the future and it is ~~inevitable~~ that some strategies will turn out badly.

On the other hand it seems difficult to conceive that anyone would be so rash as to predict that it would be possible to dispose of 500 T-shirts a day - given that the market for this product lies in the cash economy (at most 100,000 people), composed of males (50,000) between the age of 12 and 30 (20,000) half of whom work in South Africa, (10,000). Even if this firm could achieve 100% of the market each potential customer would have to buy 12.5 T-shirts a year to absorb all the production. This is the sort of blunder that gives marketing a bad name.

(11) Neither, of course, do the BEDU staff who are advising them.

Marketing for BEDU enterprises is, as things stand now a virtually impossible (as well as thankless) task. The individual responsible for marketing must have, if he is to succeed, considerable control over the product and the price. For an entrepreneur to produce a product that nobody wants and set a price that nobody will pay and then expect a marketer to sell it at a profit is unreasonable. Entrepreneurs must be prepared to let the marketer dictate what products will be made and at what price they will be sold, or to do their own marketing.

Assistance in Improving Productivity:

The long term prospects for any firm in Botswana unable to steadily improve its productivity, are nil. This is an area which has evidently been left almost entirely to the entrepreneur and in which BEDU has offered no assistance or training. This has been an error. It appears that, in 4 years no improvement in productivity has been achieved. This despite the fact that firms have grown, on the average, to 5 times their initial size.

It is likely that no type of assistance will yield higher returns than in organization and work methods.

In spite of current difficulties and frustrations the situation which exists at the garment estate does not seem all that bleak to the outside observer. There exists both on the estate and in the BEDU organization, the human resources that can get it moving again, and in the right direction. To mobilize them may require much effort and much good will on the part of both entrepreneurs and BEDU officers. But it will be worth it.

CONCLUSION

There are lessons to be learned from BEDU's 4 years of experience with the entrepreneurs at the garment estate, all of them important to anyone engaged in Small Enterprise Development.

1. If the development organization is to play a constructive role in creating and developing small scale business it is imperative that:
 - ... the management and staff of the development organization recognise that the entrepreneurs they will be dealing with have limitations; that these limitations be known; and that the activities of the organization be designed to cope with them;
 - ... the management and staff recognise that it is their responsibility to create and maintain an atmosphere conducive to co-operation and progress;
 - ... the entrepreneurs have a realistic idea of the type and amount of support they can expect from the development organization, and of the conditions under which the support is provided; and
 - ... the entrepreneurs are aware of the part they must play in order to ensure that their relationship with the development organization is profitable.
2. There is a strong relationship between the scale of a manufacturing firm, the managerial abilities of the entrepreneur, and the profitability of the firm. It appears that no special managerial capability is required if the firm employs fewer than 8 persons and less than P7,000 in capital. To move out beyond this size requires special aptitudes and abilities on the part of the entrepreneur and special support on the part of the development organization. Attempts to make an unprofitable firm profitable by encouraging it to expand, on the assumption that economies of scale will be achieved, seem doomed to failure. Although it would be rash to reach any firm conclusion on the basis of the experience of one small group of entrepreneurs there is, at least, a strong inference; that the appropriate strategy for organizations attempting to develop indigenous enterprises is to concentrate on creating and sustaining small firms allowing entrepreneurial initiative and a process of natural selection determine which, if any, will grow large.
3. Certain pre-conditions would seem to be necessary if an enterprise is to overcome the problems imposed by scale. Among these are

that the entrepreneur:

- ... possess a demonstrated competence to run a small (7 employees or less) firm profitably;
- ... possess a demonstrated ability to set the firm's objectives and develop a practical plan to achieve them;
- ... possess a demonstrated ability to supervise staff and improve their productivity;
- ... employ an accounting system which will enable the determination of:
 - the firm's assets and liabilities,
 - monthly profit or loss,
 - value of all inventories,
 - cost of finished products,
 - output per worker,
 - the firm's break-even point;
- ... possess sufficient knowledge of financial matters to understand the nature of the costs the firm is experiencing or is likely to experience;
- ... have the knowledge and ability to draw conclusions from financial statements and reports;
- ... possess a record of financial responsibility in respect to loans and credit;
- ... possess a basic knowledge of marketing, sufficient to enable the development of products and prices appropriate to the markets the firm is serving; and
- ... have in operation a satisfactory system for distributing and promoting the products of the firm.



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